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TO CENTRAL AMERICAN CARIBBEAN BASIN COLLECTIVE PRIORITY
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JOINT STATE AID MESSAGE

E.O. 12356: N/A
TAGS: EAID, XK
SUBJECT: TOWARD A U.S. - CENTRAL AMERICAN
CONSULTATIVE MECHANISM

1. THE NATIONAL BIPARTISAN COMMISSION ON CENTRAL AMERICA RECOMMENDED THE CREATION OF A FORUM IN WHICH INITIATIVE, ENERGY AND DEDICATION OF CENTRAL AMERICANS COULD BE ENGAGED IN JOINT DELIBERATIONS. WITH UNITED STATES AND OTHER DONORS, ON REGIONAL DEVELOPMENT OF ECONOMIC PROSPERITY, SOCIAL CHANGE, POLITICAL MODERNIZATION AND PEACE. THE MODEL SUGGESTED BY THE COMMISSION WOULD INVOLVE CREATION OF A CENTRAL AMERICA DEVELOPMENT ORGANIZATION (CADO) COMPOSED OF BUSINESS, LABOR AND GOVERNMENT REPRESENTATIVES FROM CENTRAL AMERICA AND US. MEMBERS WOULD DEFINE POLITICAL, SOCIAL AND ECONOMIC GOALS. CADO WOULD EXERCISE SOME CONTROL OVER DISBURSEMENT OF FUNDS, INCLUDING ONE-FOURTH OF U.S. BILATERAL ECONOMIC AID TO MEMBER STATES, AND WOULD MONITOR HOW SUCH FUNDS ARE USED TO ACHIEVE PROGRESS TOWARD LONG-TERM GOALS. NBCCA EXPRESSED HOPE THAT A RESPECTED MULTILATERAL BODY WITH SUBSTANTIAL RECIPIENT PARTICIPATION WOULD BE MORE EFFECTIVE AND POLITICALLY ACCEPTABLE THAN PURELY BILATERAL CONDITIONS ON US AID.

2. THE EXECUTIVE BRANCH WISHES TO BE RESPONSIVE TO THIS NBCCA RECOMMENDATION AND HAS PROPOSED LEGISLATION TOWARD THIS END. DRAFT LEGISLATION WOULD EXPRESS THE SENSE OF CONGRESS THAT THE PRESIDENT NEGOTIATE WITH CENTRAL AMERICAN COUNTRIES FOR AN ORGANIZATION ALONG LINES RECOMMENDED BY THE COMMISSION AND WOULD AUTHORIZE US PARTICIPATION IN SUCH AN ORGANIZATION. (THE HOUSE FOREIGN AFFAIRS SUB-COMMITTEE ON THE WESTERN HEMISPHERE HAS PROPOSED LEGISLATION THIS YEAR THAT WOULD CARRY OUT THE MAJOR ELEMENTS OF THIS NBCCA RECOMMENDATION; OTHER CONGRESSIONAL COMMITTEES, HOWEVER, OPPOSED SUCH A FORMULATION LAST YEAR.)

3. THE PROPOSED LEGISLATION ENVISIONS THE ORGANIZATIONAL STRUCTURE AND FUNCTIONS SOMEWHAT DIFFERENT FROM THE NBCCA MODEL. IN PARTICULAR, CADO WOULD NOT ADMINISTER FUNDS. RATHER, OBLIGATION OF

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25 PERCENT OF EACH RECIPIENT COUNTRY'S BILATERAL ECONOMIC AID WOULD BE DEFERRED UNTIL MEMBER COUNTRIES RECEIVE THE RECOMMENDATIONS OF CADO, PROVIDED THEY ARRIVE BEFORE THE FOURTH QUARTER OF THE FISCAL YEAR. (THE WESTERN HEMISPHERE SUBCOMMITTEE APPROVED VERSION, MODELED ON LAST YEAR'S UNSUCCESSFUL LEGISLATION, WOULD DEFER OBLIGATION UNTIL CADO AND THE USG COME INTO AGREEMENT.)

4. A FORUM FOR CONSULTATION ON COMMON PROBLEMS AND COORDINATION OF PARALLEL INITIATIVES COULD HAVE MERIT, ESPECIALLY IN FOCUSING ON LONG-TERM OBJECTIVES AND PROMOTING REGIONAL COOPERATION. AT THE SAME TIME, SUCH A FORUM COULD HAVE A NUMBER OF DRAWBACKS:

A. IT COULD EVOLVE INTO A DUPLICATIVE AND COMPETING BUREAUCRACY, COMPLICATING WORK OF US MISSIONS, INTERNATIONAL FINANCIAL INSTITUTIONS AND OTHER EXISTING ORGANIZATIONS;

B. IT COULD BECOME A DRAIN ON TIME AND ENERGY OF ALL PARTICIPANTS, DISPROPORTIONATE TO POTENTIAL BENEFITS;

C. TO THE EXTENT THAT IT UNDERTAKES TO EVALUATE EACH COUNTRY'S ECONOMIC, SOCIAL AND POLITICAL PERFORMANCE IT WOULD BE INEFFECTIVE BECAUSE OF UNWILLINGNESS OF RECIPIENTS TO CRITICIZE OTHERS ON ISSUES ON WHICH ALL HAVE SOME VULNERABILITY.

WE WANT TO PROCEED CAREFULLY TO SEE IF A STRUCTURE CAN BE DEVELOPED WHICH ACHIEVES MAXIMUM BENEFITS WITHOUT OFFSETTING DISADVANTAGES AS DESCRIBED ABOVE. OUR AIM IS TO KEEP THE ABOVE POSSIBLE PITFALLS IN MIND AND TO AVOID AN ORGANIZATIONAL STRUCTURE AND MEMBERSHIP THAT MIGHT PRODUCE INEFFICIENCIES, BE A RUBBER STAMP OR BE DIVISIVE.

5. WE DO NOT KNOW IF CONGRESS WILL APPROVE THE AUTHORIZING LEGISLATION. NONETHELESS, WE SHOULD PROCEED TO PREPARE FOR THE CREATION OF A CONSULTATIVE ORGANIZATION IF IT APPEARS CONGRESS WILL ACT ON OUR PROPOSAL. EARLY CONSULTATION WITH CENTRAL AMERICAN OFFICIALS WOULD BE APPROPRIATE. THIS WOULD ENABLE US TO SHAPE THE MECHANISM TO BEST FIT OUR DESIRE AND TO ENSURE CONTINUED PROGRESS ON AN IMPORTANT COMMISSION RECOMMENDATION. HOWEVER, WE DO NOT WANT TO GET TOO FAR OUT IN FRONT OF THE CONGRESS NOR DO WE SEEK AN ELABORATE CONSULTATIVE PROCESS, IF ONE TURNS OUT TO BE UNNECESSARY. THUS, WE HAVE HAD ONLY INFORMAL CONTACTS AT THIS POINT TO CLARIFY COUNTRY POSITIONS. THE CONSULTATIONS TO DATE INDICATE A GENERAL INTEREST AMONG REGIONAL GOVERNMENTS BUT SO FAR LITTLE CONSIDERATION HAS BEEN GIVEN BY THEM TO A POSSIBLE ORGANIZATIONAL STRUCTURE, METHODS OF OPERATION OR PRIORITY OBJECTIVES.

6. IF RESPONSES FROM THE APPROACHES OUTLINED IN THIS CABLE ARE POSITIVE AND CONGRESS APPEARS TO FAVOR AUTHORIZATION OF CADO THEN ARA AND AID WOULD PROPOSE THAT A WORKING LEVEL MEETING BE HELD THIS YEAR WITH GOVERNMENT OFFICIALS FROM THE CENTRAL AMERICAN COUNTRIES TO DISCUSS OPTIONS FOR ITS ORGANIZATION, CHARTER, ETC. IF AUTHORIZING LEGISLATION IS PASSED BY CONGRESS, A SECOND MORE FORMAL MEETING TO CREATE CADO, WITH THE U.S. DELEGATION HEADED BY THE

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ADMINISTRATOR OF AID, WOULD BE HELD. THROUGHOUT THIS PROCESS, WE WILL SEEK YOUR VIEWS AND RECOMMENDATIONS AS WELL AS THOSE OF APPROPRIATE REGIONAL OFFICIALS. SHOULD CONGRESS AGAIN NOT PASS AUTHORIZING LEGISLATION, WE WILL REVIEW RESULTS OF ONGOING CONSULTATIONS AND DECIDE HOW TO PROCEED INFORMALLY. WE ARE INCLINED NOT TO CREATE A FORMAL CONSULTATIVE ORGANIZATION SHOULD CONGRESS FAIL TO ENACT THE CURRENT PROPOSED LEGISLATION.

7. EMBASSY/AID MISSIONS SHOULD APPROACH GOVERNMENT OFFICIALS AT THE APPROPRIATE LEVEL TO RAISE THE CADO ISSUE, DRAWING ON THE ABOVE DISCUSSION AS BACKGROUND, PROVIDING A COPY OF PROPOSED LEGISLATION CONTAINED IN PARA 8 AND USING THE FOLLOWING TALKING POINTS:

-- THE NBCCA RECOMMENDED THE CREATION OF THE CENTRAL AMERICAN DEVELOPMENT ORGANIZATION (CADO); US PARTICIPATION IN THE ORGANIZATION HAS NOT YET BEEN AUTHORIZED BY CONGRESS BUT PROPOSED AGAIN BY THE ADMINISTRATION. WE WOULD LIKE TO KNOW IF YOUR GOVERNMENT HAS GIVEN ANY THOUGHT TO THE PURPOSES, REPRESENTATION, ORGANIZATION AND GOALS OF A CADO. WE SEEK YOUR INFORMAL VIEWS AND SUGGESTIONS ON THE BROAD FORMAT SET FORTH IN THE LEGISLATIVE PROPOSAL SO THAT WE MIGHT HAVE AN IDEA OF HOW REGIONAL COUNTRIES WOULD LIKE TO PROCEED.

- WE WANT TO MAINTAIN A CONTINUOUS DIALOGUE WITH THE CENTRAL AMERICAN GOVERNMENTS THROUGHOUT THE LIFE OF THE JACKSON PLAN WHETHER OR NOT CONGRESS AUTHORIZES CADO AND WOULD APPRECIATE YOUR GOVERNMENT'S IDEAS IN THIS REGARD.

-- OUR LEGISLATIVE SUBMISSION CONTEMPLATES THAT CADO WOULD EXERCISE BROAD INFLUENCE ON THE GOALS, TARGETS AND PERFORMANCE CRITERIA OF U.S. BILATERAL AND REGIONAL ASSISTANCE (AND PERHAPS ASSOCIATED THIRD COUNTRIES AS WELL) TO CENTRAL AMERICA. FOR EXAMPLE, THE NBCCA SUGGESTED POSSIBLE ASSOCIATION OF THIRD COUNTRIES IN THE PROPOSED CONSULTATIVE BODY. WE HAVE NOT YET PURSUED THIS ASPECT OF THE NBCCA RECOMMENDATIONS BECAUSE FIRST WE HAVE SOUGHT CONGRESSIONAL AUTHORITY AND THE VIEWS OF THE POTENTIAL REGIONAL MEMBERS. THE ORGANIZATION COULD ALSO HELP INFLUENCE REGIONAL AND APPROPRIATE COUNTRY-SPECIFIC GOALS, PERFORMANCE REQUIREMENTS AND PROGRESS.

- THE COMMISSION SUGGESTION HAS BEEN CHANGED TO ENSURE THAT THE ORGANIZATION'S DELIBERATIONS WILL NOT DELAY THE DISBURSEMENT OF AID FUNDS AT THE END OF THE FISCAL YEAR AND TO HAVE A MORE FLEXIBLE APPROACH TOWARD THE COMPOSITION OF MEMBERS.

-- WE BELIEVE THE CHANGES IN THE PROPOSED CONSULTATIVE ORGANIZATION LEGISLATION IMPROVE

CHANCES OF APPROVAL BY CONGRESS WITHOUT ALTERING SIGNIFICANTLY ITS ABILITY TO INFLUENCE POSITIVELY THE EFFECTIVENESS OF OUR AID PROGRAM TO CENTRAL AMERICA AND THE DEVELOPMENT OF THE REGION.

-- MEMBERSHIP IN THE ORGANIZATION WILL BE OPEN FORMALLY TO ALL SEVEN COUNTRIES (BUT UNDER CRITERIA OF RESPECT FOR HUMAN RIGHTS AND EXISTENCE OF DEMOCRATIC INSTITUTIONS WHICH MEAN NICARAGUA HAS EXCLUDED ITSELF FOR NOW) AND THE U.S. AND OTHER

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DONORS. THE CADO ASSEMBLY WOULD INCLUDE REPRESENTATIVES OF GOVERNMENT, LABOR AND BUSINESS.

- WE DO NOT WANT STERILE DEBATE, ONE-SIDED POLITICAL ATTACKS OR A DUPLICATIVE BUREAUCRACY. WE BELIEVE THERE ARE COMMON LESSONS TO BE SHARED FROM THE DEVELOPMENT EXPERIENCE IN EACH COUNTRY WHICH COULD BENEFIT NEIGHBORS. IT WOULD ALSO BE HELPFUL TO CONSULT TOGETHER ON LONG-TERM PRIORITIES AND REGIONAL ISSUES.

- INFORMATION SHARING AND COMMON PLANNING COULD BENEFIT ALL. IDEAS THAT WORK COULD BE SHARED WITH NEIGHBORS AS WELL AS IDEAS THAT TURNED OUT NOT TO WORK. THIS COULD INCLUDE TOPICS SUCH AS INFLATION FIGHTING, SALE OF STATE COMPANIES, PRIORITIES FOR STABILIZATION PROGRAMS, REACTIVATION OF REGIONAL INSTITUTIONS, EXPORT PROMOTION, THE GENERATION OF INVESTMENT FUNDS, PRIORITIES FOR SOCIAL PROGRAMS SUCH AS HOUSING, EDUCATION AND HEALTH, ETC.

-- ENSURING LABOR AND PRIVATE SECTOR ENGAGEMENT WITH GOVERNMENT IN A CONSULTATIVE PROCESS COULD ALSO RESULT IN BETTER UNDERSTANDING, IMPROVED DIALOGUE AND A GENERALLY SYMBIOTIC EXCHANGE. WHAT KIND OF ISSUES ARE CONSIDERED APPROPRIATE BY YOU FROM WHICH LABOR, THE PRIVATE SECTOR AND GOVERNMENT WOULD JOINTLY BENEFIT?

-- WOULD THE GOVERNMENT AND PRIVATE SECTOR AND LABOR SECTORS BE WILLING TO PARTICIPATE IN AN INFORMAL MEETING THIS YEAR TO DISCUSS THESE ISSUE? IF SO, HOW BEST COULD PRIVATE INDIVIDUALS BE NOMINATED AND APPROACHED?

8. FYI REPRODUCED BELOW IS THE LEGISLATION ON CADO AS SUBMITTED TO THE 99TH CONGRESS, WHICH YOU SHOULD SHARE WITH HOST GOVERNMENT OFFICIALS:

BEGIN TEXT.

SEC. 464. ECONOMIC ASSISTANCE COORDINATION --
(A) THE CONGRESS FINDS THAT PARTICIPATION BY CENTRAL AMERICAN COUNTRIES IN AN EFFECTIVE FORUM FOR DIALOGUE ON, AND THE CONTINUOUS REVIEW AND ADVANCEMENT OF, CENTRAL AMERICA'S POLITICAL, ECONOMIC, AND SOCIAL DEVELOPMENT WOULD FOSTER COOPERATION BETWEEN THE UNITED STATES AND CENTRAL AMERICAN COUNTRIES.

(B) IT IS THE SENSE OF THE CONGRESS THAT -
1) THE PRESIDENT SHOULD ENTER INTO NEGOTIATIONS WITH THE COUNTRIES OF CENTRAL AMERICA TO ESTABLISH A MULTILATERAL ORGANIZATION TO HELP PROVIDE A CONTINUOUS AND COHERENT APPROACH TO THE DEVELOPMENT OF THE CENTRAL AMERICAN REGION; AND

-- 2) THE ESTABLISHMENT OF SUCH AN ORGANIZATION SHOULD BE BASED UPON THE FOLLOWING PRINCIPLES:

--- A) THAT PARTICIPATION IN THE ORGANIZATION BE OPEN TO THE UNITED STATES, OTHER DONORS, AND THOSE CENTRAL AMERICAN COUNTRIES THAT COMMIT THEMSELVES TO, AMONG OTHER THINGS, PROGRESS ON HUMAN RIGHTS, BUILDING DEMOCRACY, AND ENCOURAGING EQUITABLE ECONOMIC GROWTH THROUGH POLICY REFORMS;

"-- B) THAT THE ORGANIZATION BE STRUCTURED TO INCLUDE REPRESENTATIVES FROM BOTH THE PUBLIC AND

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PRIVATE SECTORS, INCLUDING REPRESENTATIVES FROM THE
LABOR, AGRICULTURE, AND BUSINESS COMMUNITIES:

--- C) THAT THE ORGANIZATION MEET PERIODICALLY TO
CARRY OUT THE FUNCTIONS DESCRIBED IN SUBPARAGRAPHS
D) AND E) OF THIS PARAGRAPH AND SHOULD BE SUPPORTED
BY A LIMITED PROFESSIONAL SECRETARIAT:

---- D) THAT THE ORGANIZATION MAKE RECOMMENDATIONS
AFFECTING CENTRAL AMERICAN COUNTRIES ON SUCH MATTERS
AS: (I) POLITICAL, ECONOMIC, AND SOCIAL DEVELOPMENT
OBJECTIVES, INCLUDING THE STRENGTHENING OF
DEMOCRATIC PLURALISM AND THE SAFEGUARDING OF HUMAN
RIGHTS; (II) MOBILIZATION OF RESOURCES AND EXTERNAL
ASSISTANCE NEEDS; AND (III) REFORM OF ECONOMIC
POLICIES AND STRUCTURES;

---- E) THAT THE ORGANIZATION HAVE THE CAPACITY FOR
MONITORING COUNTRY PERFORMANCE ON RECOMMENDATIONS

ISSUED IN ACCORDANCE WITH SUBPARAGRAPH D) OF THIS
PARAGRAPH AND FOR EVALUATING PROGRESS TOWARDS
MEETING SUCH COUNTRY OBJECTIVES;

-- F) THAT TO THE MAXIMUM EXTENT PRACTICABLE, THE
UNITED STATES FOLLOW THE RECOMMENDATIONS OF THE
ORGANIZATION IN DISBURSING BILATERAL ECONOMIC
ASSISTANCE FOR ANY CENTRAL AMERICAN COUNTRY. NO
MORE THAN 75 PERCENT OF SUCH UNITED STATES
ASSISTANCE IN ANY FISCAL YEAR SHOULD BE DISBURSED
UNTIL THE RECOMMENDATIONS OF THE ORGANIZATION FOR
THAT FISCAL YEAR HAVE BEEN MADE FINAL AND
COMMUNICATED TO THE DONOR COUNTRIES. THE LIMITATION
ON DISBURSEMENTS CONTAINED IN THE PREVIOUS SENTENCE
SHOULD APPLY ONLY TO RECOMMENDATIONS MADE FINAL AND
COMMUNICATED TO DONOR COUNTRIES PRIOR TO THE FOURTH
QUARTER OF SUCH FISCAL YEAR. THE UNITED STATES
REPRESENTATIVE TO THE ORGANIZATION SHOULD URGE OTHER
DONOR COUNTRIES TO SIMILARLY IMPLEMENT THE
RECOMMENDATIONS OF THE ORGANIZATION; AND

---- G) THAT THE ADMINISTRATOR OF THE AGENCY
PRIMARY RESPONSIBLE FOR ADMINISTERING PART I OF
THIS ACT, OR HIS DESIGNEE, REPRESENT THE UNITED
STATES GOVERNMENT IN THE ORGANIZATION AND SHOULD
CARRY OUT HIS FUNCTIONS IN THAT CAPACITY UNDER THE
CONTINUOUS SUPERVISION AND GENERAL DIRECTION OF THE
SECRETARY OF STATE.

(C) SUBJECT TO SUBSECTION (D) (2), THE PRESIDENT IS
AUTHORIZED TO PARTICIPATE IN THE ORGANIZATION
ESTABLISHED PURSUANT TO THIS SECTION.

(D) (1) THE ADMINISTRATOR OF THE AGENCY PRIMARILY
RESPONSIBLE FOR ADMINISTERING PART I OF THIS ACT,
UNDER THE SUPERVISION AND DIRECTION OF THE SECRETARY
OF STATE, SHALL PREPARE A DETAILED PROPOSAL TO CARRY
OUT THIS SECTION AND SHALL KEEP THE COMMITTEE ON
FOREIGN AFFAIRS OF THE HOUSE OF REPRESENTATIVES AND
THE COMMITTEE ON FOREIGN RELATIONS OF THE SENATE
FULLY AND CURRENTLY INFORMED CONCERNING THE
DEVELOPMENT OF THIS PROPOSAL.

(2) THE PRESIDENT SHALL TRANSMIT TO THE COMMITTEE ON
FOREIGN AFFAIRS OF THE HOUSE OF REPRESENTATIVES AND
THE COMMITTEE ON FOREIGN RELATIONS OF THE SENATE A
COPY OF THE TEXT OF ANY AGREEMENT WHICH HE PROPOSES
TO SIGN PROVIDING FOR THE ESTABLISHMENT OF AND
UNITED STATES PARTICIPATION IN THE ORGANIZATION

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DESCRIBED IN THIS SECTION NO LESS THAN 60 DAYS PRIOR TO HIS SIGNATURE. DURING THAT 60-DAY PERIOD THERE SHALL BE FULL AND FORMAL CONSULTATIONS WITH AND REVIEW BY THOSE COMMITTEES IN ACCORDANCE WITH PROCEDURES APPLICABLE TO REPROGRAMMING NOTIFICATIONS PURSUANT TO SECTION 634A OF THIS ACT.

END TEXT.

9. FYI. THE BARNES SUBCOMMITTEE OF THE HFAC HAS INTRODUCED A BILL THAT CLOSELY RESEMBLES THE FY1984 AUTHORIZATION REQUEST. IT REQUIRES 25 PERCENT OF AID DISBURSEMENTS BE HELD UP UNTIL BOTH AID AND CADO APPROVE DISBURSEMENT AND ALSO REQUIRES CLOSE CONSULTATION WITH CONGRESS IN CREATING CADO. THIS FORMULATION, HOWEVER, WAS NOT SUPPORTED BY OTHER KEY COMMITTEES LAST YEAR. OUR CURRENT LEGISLATIVE PROPOSAL IS DESIGNED TO RESPOND TO CONCERNS RAISED BY CONGRESS LAST YEAR CONCERNING THE ROLE AND STRUCTURE OF CADO.

END FYI
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END OF MESSAGE

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